

**Capital :** Tirana

**Population :** 3.544.808 million (INSTAT 2003 est.)

**GDP purchasing power parity:** \$17.46 billion (2004 est.)

**GDP real growth rate:** 5.6% (2004 est.)

**GDP per capita (purchasing power parity):** \$4,900 (2004 est.)

**Population below national poverty line:** 25% (2004 est.)

**Inflation Rate:** 3.2% (2004 est.)

**Ethnic Groups:** Albanian 95%, Greek 3%, other 2% (1989 est.)

**Religion:** Muslim 70%, Albanian Orthodox 20%, Roman Catholic 10% (pre-1937 estimate)

**Language:** Albanian

**President:** Alfred Moisiu (since July 24, 2002)

**Prime Minister:** Sali Berisha

**Ambassador to U.S.:** Agim Nesho



**National Interest:** Albania plays a vital, moderating role in the Balkans by promoting peace and encouraging ethnic integration. The nation has been a reliable partner on issues of strategic importance to the U.S. and has contributed to the global war on terrorism. The U.S. supports Albania's entry into the Euro-Atlantic community, through accession to North Atlantic Treaty Organization and the European Union. Albania's stability remains precarious and dependent on its ability to overcome a tumultuous history of isolation and poverty. U.S. assistance supports Albania's transition to a market economy, democracy based on rule of law, and specific policy and development priorities.

#### OVERVIEW OF USAID'S FOCUS IN ALBANIA

FY 06: Total AEEB - \$24.75 million, USAID Total - \$18.901 million

**Economic Growth (FY06 \$5.63 million, 29.8%):** USAID activities are designed to promote sustainable economic growth and poverty reduction by strengthening the competitive capacity of private enterprises; increasing the access of micro and small and medium enterprises (SMEs) to credit; and fostering a policy environment that enhances business development, trade and private investment. USAID also supports the formation of a skilled labor force through business and vocational training to Albanian high school and community college students. Assistance in 2005 focuses on enhancing the competitiveness of Albanian enterprises in the domestic and foreign markets and making commercial credit more accessible and available to micro, small, and medium enterprises.

**Democracy & Governance (FY06 \$4.027 million, 21.3%):** USAID/Albania's program aims at improving governance and government accountability through civic advocacy. It does so by assisting to NGOs and selected government institutions. The Program assists the Central Election Commission and supporting entities in their efforts to bring Albanian elections closer to international standards. It supports numerous civic organizations, including the Albanian Coalition Against Corruption (ACAC) and the Citizens Advocacy Office (CAO) that engage in watchdog functions, from media and election monitoring to auditing party finances and official conflicts of interests. It aims to strengthen parties by promoting organizational democracy, and provides support to citizen groups that engage with local governments on budget and other issues. The USAID/Albania program also supports the Albanian decentralization process by providing policy support and direct, often on-site technical assistance to city governments throughout Albania.

**Rule of Law (FY06 \$1.9 million, 10%):** This program has a strong anti-corruption focus. It targets state institutions that are legally empowered to fight corruption in the judiciary, other branches of government, and non-governmental bodies that play a role in increasing accountability and transparency in government, such as the Citizens' Advocacy Office (CAO) and the Albanian Bar Association. The program supports the effective implementation of existing anti-corruption laws, as well as the passage and implementation of new laws to deter corruption in Albania.

**Primary Health Care (FY06 \$2.25 million, 11.9%):** USAID seeks to promote public health in Albania by reforming the primary health care system. The program consists of three primary objectives: a) to create a defined set of quality primary health care services that address family planning, reproductive health, child health, HIV/AIDS and tuberculosis prevention; b) to strengthen the financial management and sustainability of health facilities; and c) to promote the concept of prevention in health care. The program collaborates with the Albanian Ministry of Health to develop the system's efficiency, quality, management, and resource allocation. Activities address constraints on the sector (poor infrastructure, inadequate human capital, corruption, fragmented financing mechanisms) and needed reforms to strengthen central and local capacities.

**Special Initiatives & Cross-Cutting Programs (FY06 \$5.094 million, 27%):** Special initiatives support the development and implementation of a national action plan to reform the energy sector; foster religious harmony in Albania; and address the training needs of all USAID-funded activities. Two anti-trafficking initiatives focus on prevention, protection and reintegration: (1) a transnational activity to reduce child trafficking within Albania and between Albania, Greece, and Italy; and (2) a comprehensive activity to coordinate, integrate and support NGO, Government of Albania, and other donor efforts to reduce the trafficking of women and girls.

## Current Issues

**Recent Election:** Despite significant improvements over previous elections, international observers judged that the July 3, 2005 parliamentary elections only partially complied with international standards. From irregularities during voting to the long delays in counting to the many complaints by losing parties to the decision to hold re-runs in three districts, these elections were far from perfect. Whatever their flaws, though, the elections did achieve something of significance to democratization: an alternation in power. After eight years in opposition, the Democratic Party and its allies reclaimed a parliamentary majority from the ruling Socialist Party. Albania's prospects for integration into North Atlantic Treaty Organization and European Union were said to depend on the conduct of this election. Those prospects have not been seriously harmed by either the process or the result.

**Poverty:** Albania is one of the poorest countries in Europe and remains the Eastern European country with the highest level of poverty (65th of 177 countries on the 2002 Human Development Index). Officially, unemployment hovered at 14.4 percent in 2004, although it may be as high as 30 percent. Studies indicate that the degree of inequality in national income distribution is steadily rising; 25 percent of all Albanians fall below the poverty line of \$2 per capita per day, with poverty in rural areas reaching almost 30 percent.

**Corruption:** Albania's endemic corruption negatively affects most areas of governance. Corruption erodes public confidence, undermines the rule of law, deters foreign direct investment, and delays Albania's integration into the Euro-Atlantic community. Petty corruption is pervasive among officials as is grand corruption at higher levels. There has been a general lack of will on the part of political leaders to advance reform, especially the fight against organized crime and corruption through implementation of the progressive laws enacted over the past decade. There may be some momentum for change because of the elections, especially since the winning Democratic Party placed fighting corruption at the center of its campaign platform and is under pressure to make good on its promise. Over the last few years, civil society groups have come to assume a much stronger and more visible role in making demands for greater government accountability and transparency.

**Trafficking in Persons:** Albania is a source country primarily for women and children trafficked for sexual exploitation, begging and labor. They are often moved to Italy and Greece and then on to other European Union countries. In the U.S. State Department's 2005, Trafficking in Persons Report (TIP) Albania was categorized as a Tier 2 country for a fourth year; a country meeting minimum standards and making significant efforts to bring itself into compliance with the standards of the Trafficking Victims Protection Act 2000. USAID/Albania's anti-trafficking program is one of the largest and most comprehensive bilateral programs in the Agency. The anti-trafficking program's key components of prevention, reintegration, and coordination are focused on addressing the issue of trafficking from a victim's and child's rights perspective.

**Energy Sector:** While important improvements have been achieved in the Power Sector in recent years, Albania is still facing many serious challenges that could impede the progress toward the goal of reliable and affordable electricity supply. The main problems that Albania is facing are the unreliable electricity supply and irrational electricity tariffs. System losses are above 35 percent and households, which pay an artificially low tariff, account for over 60 percent of the electricity consumption. The state electric utility (KESH) is heavily dependent on hydro generation, and has made no major investments in generation within the last 20 years.

**Property Restitution and Compensation:** The collapse of the communist regime in the 1990s led to the massive privatization of cooperative and state farm assets. Distribution of land did not take into consideration former ownership of the private property that had been nationalized by the previous regime. Ultimately, this ambiguity has created social, political and economic conflicts due to the lack of clear title to the properties. Disputes over ownership and other legal rights to property arising from restitution claims make it difficult to attract the necessary national and foreign investment in Albania. Efforts have been made to assist the Government of Albania in conducting the first registration of immovable property and implementing the Law on the Recognition, Restitution and Compensation of Property in an appropriate manner that would minimize social conflicts.

**Private Sector Development:** Albania is trying to move from a command economy to a market economy by taking advantage of its natural resources, proximity to European Union countries, favorable climatic conditions and availability of a relatively low cost labor force. However, this transition is a difficult one due to the Albanian private sector not being able to become a competitive player in the global market, and the countries' rising trade deficit. In order to sustain its current high economic growth and reduce its trade deficit, Albania needs to improve the business and investment climate, strengthen the competitive capacity of private enterprises, and increase private sector's access to commercial credits.

---

USAID/Albania: Harry Birnholz, Mission Director (011-355-4-266-395), fax: (011-355-4-266-394)

Sheraton Tirana Hotel & Towers, Tirana, Albania

USAID/Washington, Albania Desk Officer: Geeta Raj (202-712-5954), fax: (202) 216-3181

[http://www.usaid.gov/regions/europe\\_eurasia/countries/al/index.html](http://www.usaid.gov/regions/europe_eurasia/countries/al/index.html)

